mittee on Armed Services; John F. Kerry, chairman, and Richard G. Lugar, ranking member, Senate Committee on Foreign Relations; Joseph I. Lieberman, chairman, and Susan M. Collins, ranking member, Senate Committee on Homeland Security and Governmental Affairs; Patrick J. Leahy, chairman, and Jefferson B. Sessions III, ranking member, Senate Committee on the Judiciary; Diane Feinstein, chairman, and Christopher S. "Kit" Bond, vice chairman, Senate Select Committee on Intelligence; Speaker of the House of Representatives Nancy Pelosi; House Majority Leader Steny H. Hoyer; House Republican Leader John A. Boehner; David R. Obey, chairman, and Jerry Lewis, ranking member, House Committee on Appropriations; Isaac N. "Ike" Skelton IV, chairman, and Howard P. "Buck" McKeon, ranking member, House Committee on Armed Services; Howard L. Berman, chairman, and Ileana Ros-Lehtinen, ranking member, House Committee on Foreign Affairs; Bennie G. Thompson, chairman, and Peter T. King, ranking member, House Committee on Homeland Security; John Conyers, Jr., chairman, Lamar S. Smith, ranking member, House Committee on the Judiciary; and Silvestre Reyes, chairman, and Peter Hoekstra, ranking member, House Permanent Select Committee on Intelligence. This letter was released by the Office of the Press Secretary on October 4.

Remarks in a Discussion With the President's Economic Recovery Advisory Board and Business Leaders

October 4, 2010

The President. Have a seat, everybody. Good afternoon. Before we begin today's meeting of my economic advisory board, I wanted to say a few words about one of the topics that we'll be discussing, and something that's one of our most important economic issues of our time: the skills and education of our workforce, because every business leader in this room knows that the single most important predictor of America's success in the 21st century is how well our workers can compete with workers all around the world.

All of our education institutions, from our preschools to our universities, have a critical role to play here. But one of our most undervalued assets as a nation is our network of community colleges. These colleges don't just serve as a gateway to good jobs for millions of middle class Americans, community colleges also serve as a pool of talent from which businesses can draw trained, skilled workers. Unfortunately, because of the burden the recession has placed on State and local budgets, community colleges have been forced to cap enrollments and scrap courses. And even in the best of times, they receive far less funding than 4-year colleges and universities.

Not only is that not right, I think it's not smart. Not at a time when so many Americans are still looking for work. And not at a time when so many other nations are trying to outeducate us today so they can outcompete us tomorrow. We need to be doing more, not less, to equip our workers with the skills and training they need in the 21st century. It's an economic imperative.

And so I've said that by the year 2020, I want to see an additional 5 million community college degrees and certificates in America. To reach this goal, we're making an unprecedented investment in our community colleges, upgrading them, modernizing them, and challenging these schools to pursue innovative, research-oriented approaches to education. And I've asked Dr. Jill Biden, a community college educator for more than 17 years, who's with us here today, to help promote community colleges around the country and lead the first-ever White House Summit on Community Colleges, which will be taking place tomorrow. And I've asked this economic advisory board to reach out to employers across the country and come up with new ways for businesses, community colleges, and other job training providers to work together.

The results of their effort is an initiative called Skills for America's Future, which we'll be talking about today. And I want to thank Penny Pritzker and, I believe, Anna Burger and perhaps some other folks around this table for putting in enormous amounts of time on this initiative.

The idea here is simple: We want to make it easier to connect students looking for jobs with businesses looking to hire. We want to help community colleges and employers create programs that match curricula in the classroom with the needs of the boardrooms.

We've already seen cases where this can work. Cisco, for example, has been working directly with community colleges to prepare students and workers for jobs ranging from work in broadband to health IT. And all over the country, we know that the most successful community colleges are those that partner with the private sector. So Skills for America's Future would help build on these success stories by connecting more employers, schools, and other job training providers and helping them share knowledge about what practices work best.

The goal is to ensure that every State in the country has at least one strong partnership between a growing industry and a community college. And already, companies from UTC to Accenture to the Gap have announced their support for this initiative, as well as business leaders like my friend Penny Pritzker and Aspen Institute's Walter Isaacson.

I hope other business leaders will follow suit, and I'm also setting up a task force to work directly with the business community on this effort.

This is one of those ideas that just makes sense. Investing in the skills and education of our workers and connecting them with potential employers is something that we should all be able to agree upon, whether we're Republicans or Democrats, business leaders or labor leaders.

But it can only happen if we maintain our commitment to education. And so let me just make one last point before we start a broader discussion. I realize that we're facing an untenable fiscal situation. There was a $1.3 trillion deficit staring at me when I took office, and although the economic crisis and the steps we took to stop the freefall temporarily added to our fiscal challenges, it's clear that we're going to have to get serious about the deficit.

And that's why I've proposed a 3-year freeze on nonsecurity discretionary spending. That's why I've launched a bipartisan deficit reduction commission, which will be reporting in a few months.

What I won't do is cut back on investments like education that are directly related to our long-term economic performance. Now is not the time to sacrifice our competitive edge in the global economy. And that's why I disagree so strongly with the proposal from some on the other side of the aisle to cut education by 20 percent in next year's budget. It's a cut that would eliminate 200,000 children from Head Start programs, would reduce financial aid for 8 million college students. It would leave community colleges without the resources they need to meet the goals that we've talked about today. And that just doesn't make sense to me.

So I'm happy to have a debate about this issue in the coming months, but one thing I know is that this country will be stronger if all of our children get a world-class education. That means, by the way, not just money; it also means reform. And I'm glad to see Arne Duncan sitting here today, who's done as much to promote significant reform across the board than just about any Education Secretary in recent memory.

Our businesses will be more successful if they can find skilled, trained workers here in America. Our future will be more secure if anybody who's willing to work hard is able to achieve their dream of getting a college education. And those are priorities that we all share. Those are investments that can benefit the entire Nation. And that's what we need to focus on right now: what will grow our economy, fuel our businesses, rebuild our middle class, and keep the American Dream alive for the 21st century.

So I look forward to working with all of you toward that common goal, and now let's get down to the business of this meeting. I think they're going to remove this big thing here, and I'm going to be able to sit down, and we'll have a good conversation.

So—all right? Is somebody going to break this down? And I'll use this time to come around and say hello to everybody.

[*At this point, the President greeted participants while the podium was removed. The discussion then continued, as follows.*]

The President. Well, let's dive in. My understanding is that—and you tell me, Mr. Chairman, but I think that you are going to open up and introduce the subject, and then we're going to hear from Penny and Anna, both of whom worked very diligently on the Skills for America's Future.

Chairman Paul A. Volcker. Well, let me say first of all, we appreciate your presence and welcome your Secretaries and advisers here, Secretary——

The President. We got a bunch of big cheeses around here. [*Laughter*]

Chairman Volcker. ——Geithner and Duncan and Locke. I tell you, we ought to have some impact on something. And we have a feeling that we've made some contributions in the past. I might even mention regulatory reform, infrastructure bank, which you've just been talking about, and weatherization, Home Star; we had this nice program of tax review, which we arrived at no conclusion, but rather demonstrated the problems in the tax system.

But anyway, today is on, as you know, Skills for America. You've already introduced it. Penny was the driver, so far as we were concerned. We approved the program and its specifics a few—an hour or so ago. So Penny is—the floor is yours.

[*Penny S. Pritzker, chairman and founder, Pritzker Realty Group, made brief remarks, concluding as follows.*]

Ms. Pritzker. The goals that we've set out for Skills for America's Future are several. First is to create a certification for best-in-class partnerships that develop career pathway and training programs. The second is to recruit additional private sector and labor leaders to build a national network of high-impact partnerships at community colleges. Basically, we want to scale the program. We also want to provide a national voice for the effectiveness of these partnerships and therefore to convene stakeholders to share best practices.

Our fourth objective is to work with the interagency task force to align workforce programs funded by the Department of Labor and the Department of Education with market demands to help the task force identify and develop stackable credentials in high-demand industries and to increase the use of technology to improve training.

Finally, we want to ensure that every State has at least one high-impact partnership between industry and a community college, and our hope is that every State will have more than one.

Mr. President, this entire effort supports your goal for an additional 5 million community college degrees and certificates by 2020. And the initiative—we're very excited—the initiative will be part of what's called the Economic Opportunities Program at the Aspen Institute, led by an executive director and a core team, but the work will be nationwide. And our goal is that Skills for America's Future will launch a national movement to strengthen America's workforce, to optimize job training programs, and ultimately job placement.

So we ask you, Mr. President, as you said earlier, to endorse Skills for America's Future. And we just can't begin soon enough. We believe putting the resources into training and development of workers, as you believe, is one of the best investments that we can make in our country. So thank you.

The President. Well, the—thank you, Penny. Anna, do you want to chime in, because I know you worked on this. And then I actually—I know traditionally, sometimes people feel a little constrained in these conversations, but I'm going to make sure that I ask a couple questions. I just want some top lines on where we think we can have the most impact most quickly on this. But go ahead, Anna.

[*Anna Burger, secretary-treasurer, Service Employees International Union, made brief remarks, concluding as follows.*]

Ms. Burger. We have the opportunities through the work that we've done through Home Star and really thinking about how we can use the training centers that the laborers and others have across this country to bring people out of the community and retrofit our communities. At the same time, move them through the economy and give them greater skills so they can be building engineers and take on greater responsibilities as well.

And we heard from manufacturers about all the possibilities that we have in terms of turning our economy around and being a manufacturing base again if we have the workers who have the skills that we need. And we saw collaboration in a way that I had not seen it before. And we think that this opportunity, this initiative, gives us a way of being able to have a real public-private partnership, where workers and employers can be at the table, where we can actually bring our resources together and think about how we get from where we are today to the 21st century as quickly as possible.

So I was honored to be able to be part of this, and I think that this initiative that we all voted on today, that we hope that we can all embrace, can make a difference for working people today and in the future.

The President. I'm very encouraged, and I fully endorse it. I'm looking forward to being behind it 100 percent. I am interested—and maybe folks like Jim Skinner or others who are already doing this kind of work, and you guys may have already gone over this—but I'd be interested just in figuring out, when we look at the best practices, Penny, what two or three elements stand out, so that if we're planning to scale up, what are some indicators that this is the kind of workforce training that's going to work; this is the kind that's a waste of money and time that we have to revamp. Is it primarily businesses having spoken to the community colleges ahead of time and designed—helped them design it so that they know what skills are needed? Is a lot of it simply a matter of remediation, in which case we've got to do more work K–12 to make sure that folks are up to speed? What—and obviously, this will vary industry by industry, but I don't know if either Jim or Glenn or somebody who are already doing this, whether you guys have any thoughts on this, or Penny, based on all the conversations you had.

McDonald's Corporation President and Chief Executive Officer Jim Skinner. Well, I'd be happy to speak up. The selfish viewpoint of McDonald's, of course, around talent management leadership development, because we're a growing company, is making sure we have the skill sets in our workforce that are capable of delivering on our strategies.

Now, that has an enormous impact on America, because if you look at the work that we're doing, which is centrally focused on English Under the Arches, it's not about our people being able to speak English, it's about them being able to communicate more effectively, be more competitive in the workforce, and be associated with community colleges so that they can further their education. And we're going to expand that by 30 sites and another thousand managers. We've impacted a thousand or plus managers already.

And the opportunity for them then to further their education—Roger, you asked earlier the question about the connection to 4-year colleges—this gives them the opportunity to get credit in community colleges. We're willing to give our intellectual property to the community colleges and put these programs to work. And they're all audited and supported by community college professors. And it's 110 hours, 22 weeks, and it already is showing a dividend, certainly for us in the workforce. And not all these people stay with McDonald's their entire working life. They go somewhere else. And so I think we're contributing to the growth of these individuals for the workforce beyond what they might be doing today at McDonald's. And that's how we're connected with the current program, and we do a lot more, as you know, around talent management and leadership development.

The President. Good. Glenn, you want to——

Gap Inc. Chairman and Chief Executive Officer Glenn K. Murphy. A little different than

Jim's. I'd say the investment we're making is really focused on leadership. And if you look at Jim's business and our business, it's not uncommon that we have 26-, 27-year-old men and women who are running $5, $6 million businesses and they have 70, 80 employees. So we've really tried to work with the community colleges. We're going to be making investments in these seven cities.

And part of that is job shadowing, having them spend quality time with our managers. Of our workforce, we have 125,000 people of the business actually work in the stores. Everything happens in the stores. People like me have ceremonial jobs in offices, and we do what we do, but the reality is, we deal with millions of customers every single day inside our stores, and that comes down to phenomenal leadership.

And the community colleges can only do so much. I think they understand it, and I think that we've been working through high schools to get people through a program we have in New York and Chicago to get them ready to work in our stores. But the real angle on the community college is how do they get the leadership they need to feel confident that they can actually move forward in the business, deal with people, deal with difficult situations, lead, and get the pride that comes with providing great leadership.

So at the Gap, our angle is really, in the seven-city test we're going to do—which I was saying earlier to Penny, and Penny obviously has a lot of passion around this issue—is to build it out to many more cities over the next couple years and really get deep with these community students, these men and young women, future store managers of our business, and give them the one skill that ultimately will separate them from being successful in our industry, which is how to lead.

The President. Penny, do you want to add anything?

Ms. Pritzker. Well, I think that one of our objectives, Mr. President, is—through this effort—is to do exactly what you've asked us, which is to better understand what makes a successful partnership so that we can be replicating successful partnerships and sharing that information more efficiently. It's ad hoc at this point right now. So those are the kinds of efforts that we'll undertake.

The President. Good. Robert, you have some thoughts about sort of unemployment generally and how that connects with worker training, potential skills mismatches that are out there right now. You want to share some thoughts in terms of just the data that you've been looking at?

[*Robert Wolf, chairman and chief executive officer, UBS Group Americas, made brief remarks, concluding as follows.*]

Mr. Wolf. Now to the second point. If you look at the hardest hit States across factors such as unemployment, mortgage foreclosures, and industry sector job losses, you will see a direct correlation.

For example, Nevada, Florida, Michigan, and California rank in the top five States for both unemployment and the share of mortgages underwater. These four States have also lost a disproportionate amount of jobs in construction or manufacturing or both, way above the national levels. These two industries, construction and manufacturing, have lost the most jobs during the downturn. Construction's around 20 percent, and manufacturing's around 15 percent.

Mr. President, the PERAB wants you to know that this reinforces the need to ramp up two of your key initiatives, infrastructure spending and Home Star. It's critical that in this changing trend that for us to create new jobs, these are the two key initiatives that we need to continue.

Now, I've been asked to pass to John Doerr, who'll discuss in a little more detail the Home Star program.

The President. John.

[*John Doerr, partner, Kleimer Perkins Caufield & Byers, made brief remarks, concluding as follows.*]

Mr. Doerr. But I think it's of relevance today because the—one of the two tracks involves training workers to upgrade their skills and to create a new industry in America, which would be a professional home retrofit industry, and it's just not very often you get the chance, with a small Federal program, to kick-start what I estimate is a $30 to $40 billion new American industry whose jobs are never going to be outsourced.

So I know your administration is working very hard to push this forward. That's our status, and perhaps it could be part of an oil spill bill or some other action before the Congress adjourns.

The President. As you know, I've been sold on this for a long time. When we announced our desire to move aggressively for this, we went over to Home Depot, and what was striking was not only the enthusiasm, obviously, of a big national company like Home Depot, but talking to the—I met a young man who had been unemployed for 16 months, was retrained over the course of 2 to 3 months to lay down insulation, had proven to be just a terrific employee. He was working for a small contractor who had seen his business collapse after the housing bubble burst and now was seeing a significant pickup in his work around this notion.

So this can have a terrific impact at retail level among small businesses and among young people, who can be trained fairly rapidly to take on this work and to do a terrific job. So we're going to push hard. And obviously, it also cut our Nation's electricity bill, which we're all concerned about for energy and environmental reasons as well. This is going to be a top priority.

Jeff, do you want to talk a little bit about how you see this from a—for a company that operates internationally? And obviously, you and I have spoken a lot about how we can boost exports. One of my main goals is boosting exports. We're going to need a good workforce to do it.

General Electric Company Chairman and Chief Executive Officer Jeffrey R. Immelt. Mr. President, the exports markets remain strong. I was in Asia the last couple of weeks, and again, the economy has remained very strong. I think the work that Secretary Locke and State and USTR is really being felt, so I want to say thanks for that. Our exports continue to grow, as I know Jim's do and other—UTC and others. So we very much are supportive of the export initiative.

Our work is really around really recruiting high-tech manufacturing resources that help us make jet engines and gas turbines. The community colleges provide a very good asset that we work with labor in our communities to train people. Typically, we design a 2-year course with the community colleges and actually hire the people so they have on-the-job training; they come to work at GE, they get training in the afternoon, at night. And by the end of that 2-year time period, they can do precision machining and the other types of high-tech work that I think we want to have in this country.

The last thing I would say is that well-trained, this workforce remains the most competitive in the world. We can drive quality, cost, speed that is second to none. And we have big faith that that can be done here with the right level of education. And the community colleges are incredibly flexible to work with us on designing our own curriculum, which I think is a real asset as well.

The President. I think this last point is really important. I've never spoken to a community college president who would not happily redesign just about any program to meet the needs of an employer who says, I've got a thousand folks that I'm willing to hire if they get the right training. And obviously, at the Federal level, this is an area where we've got to exhibit maximum flexibility.

So where our resources go from the Department of Education or from Department of Labor, we are willing to modify any bureaucratic tangles to make sure that that training matches up with jobs as quickly as possible.

Jim, you got—you guys are also selling a lot of stuff. I'm glad to see it.

[*James W. Owens, chairman and chief executive officer, Caterpillar, Inc., made brief remarks, concluding as follows.*]

Mr. Owens. So there are a lot of skilled people ready to go to work that don't have an opportunity. There's clearly a lack of demand in this area. And I think we have a deficit in terms of investment in this country in the infrastructure we need to help us compete in the world market in the future.

So doing more of this on an emergency basis, with the extreme unemployment levels that we have, I think will help our economy and better position it to compete in the world market a decade or two ahead. And the welfare of our citizenry is really a function of our ability to compete in global markets. And we need to be really consciously thinking about that now. We need a different kind of recovery this time. It can't be retail-driven so much as it's got to be investment and really global competitiveness, export-oriented to give us the kind of sustainable recovery we're looking for.

So let's—I know you've made some proposals on infrastructure. Anything we can do to help you move those things forward——

The President. Thank you.

Mr. Owens. ——we'd be delighted.

The President. Rich, I know that obviously you're hearing some of this—what Jim said—from your own membership. Folks in the trades right now who were doing well when the housing market was booming have been devastated over the last couple of years, and so I'm assuming that ideas like infrastructure are ones that would garner strong support from your members.

[*Richard L. Trumka, president, AFL–CIO, made brief remarks, concluding as follows.*]

Mr. Trumka. And the last point is, we think we need to rebalance our economy in order to succeed globally, because if the United States is going to be a high-wage, high-performance, export-led economy, it needs to do three things that the other successful wealthy industrialized exporting countries have done. First, invest much more in education and lifelong training, which is what we're recommending that you do today; second, continue to invest in modern infrastructure, as Jim Owens has discussed earlier, including transportation, communications, and clean energy for the 21st century; and the third is to support labor law reforms that will allow workers the freedom to choose a union without fear of reprisal, because in a cutting-edge economy, unions are an essential partner for fast-paced innovative business. And successful high-wage export economies around the world have empowered workers, not treated them like costs to be cut.

So, Mr. President, we really applaud you for all the efforts you've made to, first, save the economy, and then turn it around and start to create jobs and build a foundation where the economy can grow and the jobs that we need can be created. And all of us look forward to working with you in that endeavor.

The President. Thank you. All my economic team—Tim, Larry, now Austan as the head of the CEA, my Cabinet Secretaries at Commerce and Education, Labor—we've spend a big chunk of each week, and have for the last 2 years, trying to optimize the Nation's economic performance and the recovery in light of a couple of things that have already been mentioned. Obviously, the severity of the downturn: Historically, financial crises bring about recessions that are deeper and longer lasting than the normal business-cycle recessions. There is a sense on the part of consumers that a—that they have to start saving more and cutting back on their debt levels, and that means that the prospect of a consumer-driven V-shaped recovery is less likely.

And we're in a fiscal environment in which we were already in debt, which means that some of the traditional tools that we have are more difficult to apply. We essentially have to apply the accelerator and the brakes at the same time.

But two things that I think might be worth focusing on in the remainder of our time would be, one, the issue of—that's already been raised—the issue of aggregate demand. Are there ways that, in a cost-effective fashion, we can boost aggregate demand? And the second thing we should talk about is uncertainty, because one of the things that we do hear—obviously, this has been prominent in the business press—is the notion that, well, companies are now making a profit again, they're sitting on a lot of cash, but they're unwilling to put that cash to work investing because they're concerned about uncertainty, whether it's legislative, health care, financial regulatory reform, or taxes and the outlook there.

So I'd be interested in hearing some thoughts from the group on both those items. Martin, I will start with you and see if there are some strategies for boosting aggregate demand that would garner your support, knowing that you are obviously concerned about our long-term fiscal outlook.

[*Martin S. Feldstein, president emeritus, National Bureau of Economics Research, made brief remarks, concluding as follows.*]

Mr. Feldstein. And the third thing deals with the tax rates. As you know, I think that the current tax rates should be continued for 2 years for everybody, but with no legislative commitment after that. I think the 2-year extension would help to keep demand alive at a time when the economy is weak, and the notion that it would not continue after that would take some 10—some $2 trillion off the size of the national debt at the end of the decade. And that would give a boost to confidence that the administration is really focusing on bringing down the out-year fiscal deficit.

So I think all three of those can help to move in the right direction, and they do so without increasing the fiscal deficit.

The President. Obviously—we may not have time to pursue it today—if you've got some specific ideas on the housing front I think we should hear them, and I'll make sure that our team follows up. The small business—it does sound like you've got something worked out that—with some specificity. I'd be interested in seeing how it might fit with some of the work we're already doing to help get small businesses loans.

The tax debate's a long one. [*Laughter*] I mean, I think the interesting question would be whether you felt the same way if you knew that there was—if you extended all the tax cuts for 2 years, that you couldn't hold the floodgates back and you'd then be extending them in perpetuity, whether you'd feel the same way.

[*Mr. Feldstein made further remarks.*]

The President. Bill, do you have some thoughts on this issue of either aggregate demand or uncertainty—or both?

[*William H. Donaldson, former chairman, Securities and Exchange Commission, made brief remarks, concluding as follows.*]

Mr. Donaldson. I subscribe to all that's been said here before in terms of the amalgamation and working together with community colleges and so forth and so on. But that's not going to happen overnight. And so what I would suggest with—is that your administration, and particularly you, step forward with a statement that you're not going to, at this time, increase taxes for anybody, and relieve that uncertainty.

That isn't to say that you're not going to do something about taxes—you and the Congress—but you're going to delay that. And I think the spark that would come from that—you're going to delay that, and then weave it into an overall tax reform, but not until you provide that spark to get us off this dead center.

And I think that prolonged arguments in the Congress about this after people come back is going to be counterproductive to this issue of uncertainty. I think that that will heighten it. And I think you have within your power and the power of this administration to put a pin into that uncertainty with a view toward putting the whole tax problem together in a more thought through, complete package.

The President. Let me just address this because both you and Martin raised this. I mean, it's interesting, sort of the focus is on uncertainty with respect to tax policy. Keep in mind that my administration's already been very unequivocal in saying that we will not change taxes at all for 98 percent of Americans, which you'd think would provide some level of certainty; that with respect to aggregate demand, I don't know any economist—including, I think, Martin—who would argue that we are more likely to get a bump in aggregate demand from $700 billion of borrowed money going to people like those of us around this table, who I suspect if we want a flat-screen TV can afford one right now and are going out and buying one.

If we were going to spend $700 billion, it seems that we'd be wiser having that $700 billion go to folks who would spend that money right away, if we were going to boost aggregate demand. And the consequences of extending the upper-income tax cuts, based on what we've heard fairly explicitly in the political environment, is that you do that now, you're going to do it forever. There's not going to be, necessarily, a deal that says—as Martin, I think—an entirely respectable position is to say, extend them all for 2 years, and then they go away. I mean, that's an intellectually consistent position. But that's not really the position that is being promoted up on Capitol Hill.

And so the question is, if I can achieve certainty for 98 percent of the people affected by the Tax Code, and there's an argument about the 2 percent, primarily because there's also great uncertainty about our deficits and how we're going to pay for those over the long term, why wouldn't I go ahead and promote certainty on the bulk of these taxes and also in that way preserve some flexibility to do something about a deficit, which everybody says is out of control and that we're going to have to do something with immediately?

I will allow Martin to respond, only because I named him in my comment. And then I'm going to bring in the big guns; I'm going to have Laura come in. [*Laughter*] So go ahead. Go ahead.

[*Mr. Feldstein made further remarks, concluding as follows.*]

Mr. Feldstein. As we've talked during the PERAB discussion earlier, before you joined us, there's this concern about the business community's attitude about the administration. And it's not just the business community, it's high-income individuals, entrepreneurs, and others. And so the increase in the tax on those individuals is a signal that the administration——

The President. They have to pay slightly higher taxes. [*Laughter*]

Mr. Feldstein. ——that they're going to have to pay higher taxes——

The President. That's what—that's the signal. [*Laughter*]

Mr. Feldstein. ——and it may be even more going forward.

The President. Right. I understand. I mean——

Mr. Feldstein. So it's more than just the mechanical—whether they can afford another flat-screen TV, but how they think about their business life and economic life going forward.

The President. I understand your point. And we can't belabor this. I just think it's a very interesting discussion, because essentially what the argument comes down to is that the psychology of those of us—and I'm in this category—those of us who are wealthy and make a lot of decisions that determine whether investments are made or not—that our psychology is sufficiently important; that even if we don't need a tax cut, we should give them a tax cut, we should give us a tax cut in order to induce us to play ball, because otherwise we're going to take the ball and go home.

And I understand the argument, and it may be true, but I think that you might understand how folks who have, as you pointed out, seen their home go underwater by $100,000 or have lost their jobs or are having trouble making ends meet, and they're thinking, boy, I could use tax relief right now, they might feel like they're being held hostage here; and that they also know that down the road, we're going to have to make decisions about spending cuts to offset whatever tax breaks or expenditures we put out there and that they, in the weaker position, are going to be ones who are really hurting.

And so this is something that we're going to have to wrestle with as a society, particularly given, Martin, that the group that you're talking about that you said psychologically might need a tax cut are the folks who disproportionately have been benefiting over the last two or three decades from all the growth in productivity so that they have a larger share—we have a larger share—of income and wealth than we have at any time since, what, the 1920s. You probably know the statistics better than I do.

So, Laura, do you want to—let me actually get some economic help here. [*Laughter*]

[*Laura D'Andrea Tyson, dean, Haas School of Business, University of California at Berkeley, made brief remarks, concluding as follows.*]

Ms. Tyson. So I would urge you to think about leverage, where a dollar of fiscal spending—and this is spending money, primarily, or targeted tax relief—can leverage a lot of private money. And of course, what we're talking about, how we started the program today, is exactly that. We're talking about partnership where the Government isn't putting in many resources at all; it's putting in some, but you mobilize the private sector.

So that's—aggregate demand is the issue. We have limited fiscal tools, but I think if we focus on infrastructure, you focus on education, you focus on R&D, alternative energy, places where the private sector really wants to be with you, you'll get a lot of leverage and you'll get some jobs.

The President. I'm going to let—I'd like to hear Paul chime in. And then, Mark, maybe you can address another source of uncertainty that's at least been expressed, and that's regulatory uncertainty. And then I think we can wrap up. So——

Chairman Volcker. I'm going to demonstrate that the chairman of this committee faces an unruly membership—[*laughter*]—has their own mind. But I want to show you that my psychology will not be affected—[*laughter*]—by turning to the tax rate which you expect that are in existing law. And given the deficit we have—I'm just repeating the arguments—if you're looking for the priorities of where to provide some stimulus, the most unlikely place to apply stimulus would be for those that already have so much of the wealth of the country that has been accumulated over two decades, when the people under $250,000 have had no increase in real income during this period of time.

And it seems to me the argument—whatever the precise number is—is very strong. In fact, I don't understand the opposite argument. But that's beside the point, maybe.

The President. All right. Mark?

[*Mark T. Gallogly, founder and managing partner, Centerbridge Partners, L.P., made brief remarks, concluding as follows.*]

Mr. Gallogly. On regulation for a second, one suggestion that I've heard, I didn't come up with—another fellow mentioned to me—is that if you look at the aggregate economy and you say, for a variety of reasons, this administration's had to deal with health care and energy and education and financial—reregulation of all four of these, and that by definition, when you reregulate whole sectors of the economy, in this case, four huge sectors of the economy, you do create uncertainty, particularly when the rules need to then be rethought, that if it's—could you possibly think about this in the context of a PAYGO, where for every incremental regulation you're putting in place, you're looking at the last few decades of regulation that are already in place, and you're taking something off the table?

A practical example of that today, I think, is Secretary Geithner must be dealing with the whole issue of mortgages and how you regulate mortgages on a go-forward basis, and there are multiple constituencies within that, including, we decided for a variety of reasons not to consolidate regulatory bodies in the United States. And each of—several of them have their mandate for how they want mortgages to be regulated. Well, is that a good idea?

You're going to ultimately have at least two, possibly three major forms of mortgage opportunity or mortgage forms or mortgage regulation in the U.S. And it seems that if you couldn't get rid of—because for whatever reason, politically, it wasn't the right thing to do—these multiple agencies, if the objective is to provide clarity to the consumer and to the financial institutions of how a mortgage is done, then maybe you could come up with one mortgage—one way to approach that, as opposed to three separate ones, which is probably where it's going today.

So whether the concept of PAYGO could completely apply or not, if you were to provide a clarity to the administration that it's not just added regulation, there's something else that has to come off the table, I think that would go a long way to—or at least part way—to dealing with some of Bill and Marty's comments.

The President. Well, I want to pick up on this because I think, Mark, you did a masterful summary of some of the challenges we've faced.

The reforms that we saw—let's just take the financial sector—I think most of us would agree that the rules that had been in place weren't working. If they had been working, then we wouldn't have found ourselves in the mess that we were in.

By definition, if you are reworking the rules for a financial sector that had grown to 30 percent of our economy, then that's going to be disruptive, and that's challenging. I think you are absolutely right that having taken a series of steps that were necessary, it's important now that there is a period of healing and consolidation and implementation that is less disruptive.

And I also think that part of that process involves going through what's already on the books to see are there areas that have outlived their usefulness, that no longer serve a function, particularly if you've got a new set of rules in place that are going more directly to current economic arrangements. And so OIRA, the agency that's charged with looking through rules—I mean, part of what we've been in discussions with them about is, how do we take old rules off the books, not just add new rules on? And that's something that we want to move forward very aggressively on.

In fact, when the Business Roundtable came to us with a list of things that they felt were adding uncertainty, I mean, I will tell you, some of the things they had on the list, which were equal-pay-for-equal-work laws, our attitude was, you know, feel certain that I think women should be paid as much as men—[*laughter*]—and you should just take that to the bank. That's something that I think is the right thing to do.

There were other areas where they had some legitimate concerns: that you had contradictory regulations that were working at odds with each other and really at this point didn't make sense. And what we're trying to do is go through very systematically to see where we can eliminate unnecessary redtape, unnecessary bureaucracy, regulations that have outlived their usefulness.

And what we're also trying to do is make sure that in the implementation of the new rules that have been put in place, that there's a collaborative process so that people have input and have—can get some confidence that these aren't just being put together willy-nilly.

I will tell you that there are some examples—the one you just raised, for example, if we've got too many forums that are regulating mortgages—where we fought pretty hard to try to streamline it. It's—it was tough. There are a whole host of jurisdictional and political issues that come up. And we'll continue to try to work on that front.

But I think your general point, that you can't just add new laws without taking away some that don't make sense, is important.

I also want to pick up on the point Laura made about taxes. We'll have to have a longer conversation about why we think businesses choose to invest or don't invest; where the sources of uncertainty are. I've said publicly, and Tim and I and Larry and Austan and others have talked extensively both in private and publicly, we would be very interested in finding ways to lower the corporate tax rate so that companies that are operating overseas are—can do so effectively and aren't put at a competitive disadvantage. We'd like to do so and figure out a way to do it that's revenue-neutral because, as you pointed out, just as some of Martin's prescriptions might in some cases add uncertainty and so we end up having contradictory imperatives, the same's true on tax policy.

Look, I'd be the most popular President on Earth if I could just eliminate all taxes, except then people want to pay for stuff and also want to make sure that we're closing our deficit and make sure that Social Security and Medicare are there for future generations and make sure that our kids are learning and make sure that we have good roads so that we can drive to the Gap or McDonald's and spend our money. And that means we're going to have to make some choices.

But I do want to say to this group—and I know that there was a subgroup that already worked on this and it was somewhat inclusive, but I'd like to continue to drive forward—if there are ideas whereby we can lower corporate tax rates in a way that does not massively add to our deficit but instead revolves around closing loopholes, much in the way the last major tax overhaul in '86 was able to square the circle, that is something that we would be very interested in, we think could eliminate uncertainty, might reduce each of your bills for accounting and legal services, and could be a win-win for everybody. And that's an area that we'd like to collaborate on.

So, Mr. Chairman, anything you want to close with?

Chairman Volcker. Well, just on this thought of uncertainty, there are two things on my list that I give priority to. One is the corporate tax situation, which is a mess. And the other is getting those trade agreements—those little trade agreements through, which disturb people when, obviously, protectionist measures are rising. And I think both of those agreements are in our interests. They're small, they're minor, but they give a signal, an important signal right now.

The President. I agree. And Korea is not so minor, especially when the EU and Canada have already wrapped up trade agreements with Korea.

Chairman Volcker. So it's more important to do it, yes.

The President. Yes. So—see, this was a fun conversation. It went a little off-script, which is good. [*Laughter*] I liked it. I enjoyed it.

Thank you very much, everybody. And I'm looking forward to—I like the fact, by the way, that our Cabinet members were able to join us. I think this is a format that will work better for future meetings. Thank you.

NOTE: The President spoke at 2:10 p.m. in the State Dining Room at the White House. In his remarks, he referred to Walter Isaacson, president and chief executive officer, Aspen Institute; and Austan D. Goolsbee, Chair, Council of Economic Advisers. Mr. Skinner referred to Advisory Board member Roger W. Ferguson, Jr., president and chief executive officer, TIAA–CREF.

Remarks at the White House Summit on Community Colleges
October 5, 2010

Thank you very much. Everybody please have a seat. Thank you so much.

I want to acknowledge some of the folks who are here who are making an incredible contribution to this effort. First of all, our Secretary of Education, Arne Duncan, is here. Our Secretary of Labor, Hilda Solis, is here. Someone who cares deeply about our veterans and the education that they receive, our chairman of the Joint Chiefs of Staff, Admiral Mike Mullen, and his wife Ms. Mullen, are here. Representative Brett Guthrie, Republican of Kentucky, is in the house and has been doing great work on this. And obviously, I am thrilled to not only see Jill Biden here, but also Albert Ojeda, who introduced Jill Biden, because I think the story he tells is representative of so many incredible stories all across the country.

I'm so grateful for Jill being willing to lead today's summit, first of all because she has to spend time putting up with Joe. [*Laughter*] And that's a big enough task. Then to take this one on too on behalf of the administration is extraordinarily significant. I do not think she's doing it for the administration. She's doing it because of the passion she has for community colleges.

Jill has devoted her life to education. As she said, she's been a teacher for nearly 3 decades, although you can't tell it by looking at her—[*laughter*]—a community college professor for 17 years. I want it on the record Jill is not playing hooky today. The only reason she's here is because her college president gave her permission to miss class. [*Laughter*] And this morning, between appearing on the "Today" show, receiving briefings from her staff, and hosting the summit, she was actually grading papers in her White House office. [*Laughter*]

So I think it's clear why I asked Jill to travel the country visiting community colleges, because, as she knows personally, these colleges